

**UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF MISSOURI**

H&R BLOCK, INC. and HRB  
INNOVATIONS, INC.,

Plaintiffs,

v.

BLOCK, INC.,

Defendant.

Case No. 4:21-cv-00913-NKL

**SURREPLY DECLARATION OF CHRYSTY ESPERANZA  
IN FURTHER SUPPORT OF BLOCK, INC.'S OPPOSITION  
TO PLAINTIFFS' MOTION FOR PRELIMINARY INJUNCTION**

I, Chrysty Esperanza, declare and state as follows:

1. I am the General Counsel of Block, Inc. On January 12, 2022, I submitted a declaration in support of Block, Inc.'s Opposition To Plaintiffs' Motion for Preliminary Injunction on behalf of Block, Inc. ("Block" or the "Company").
2. I have personal knowledge of the matters set forth herein, except as otherwise stated and, if called as a witness, I could and would testify competently thereto.

**The Square Brand and Its Leading Features**

3. Square, Block's seller-side business unit, provides financial services to small businesses, but Square's offerings go far beyond that. As I explained in my declaration submitted on January 12, 2022, the Company's original product and service focused on a white square-shaped payment card reader and point-of-sale ("POS") software. POS hardware and software are still the most popular product and service of the Square business unit, not just

among small businesses but also among numerous businesses and venues, including SoFi Stadium, which will host the Superbowl this month, and Chase Center in San Francisco, home of the NBA team Golden State Warriors.

4. Beyond payment solutions, however, Square provides a comprehensive suite of services to businesses, including customer engagement and management, other ecommerce support, banking, and employee management.

- Square's tools for customer support include appointment scheduling, building and managing customer databases, and administering loyalty programs.
- Square offers other tools to help businesses get started, improve, or engage in ecommerce, including website design templates, gift card services, photography support, and social media engagement.
- Square Banking offers loans and checking and savings accounts to make accessing and moving money fast and easy. It allows sales to flow directly into Square Banking.
- Square's employee management tools help businesses manage shifts, vacations, tip sharing, and payroll, and Square's partnerships with benefit providers allows it to help employers offer workers' compensation, health insurance, and retirement 401(k) benefits.

In short, while all of Square's services are designed to facilitate participation in the economy, they go far beyond financial services.

5. Square offers access to all of these services through its website and mobile applications. It offers customer support, but predominantly through chat, mobile applications, and

computer dashboards. It does not have retail offices where customers can make in-person appointments.

### **Spiral**

6. Spiral is a business unit of Block that is dedicated to building and funding open-source projects aimed at accelerating the adoption of Bitcoin, a digital currency built on blockchain technology, as a commonly used currency globally. It does so by creating software tool kits and infrastructure for developers. It also has a grant program designed to empower developers, designers, and other contributors with the resources which they can use to improve Bitcoin's privacy, security, and user experience.
7. Spiral currently has three projects:
  - Lightning Development Kit (LDK) provides support and tools to integrate Lightning features to Bitcoin wallets.
  - Bitcoin Design is an online community where anyone from anywhere in the world can share and discuss Bitcoin.
  - Bitcoin Development Kit (BDK) provides simple ways to integrate Bitcoin wallet features to any app.
8. Spiral was previously named Square Crypto and was rebranded as Spiral when the Company changed its name in December 2021.

### **TIDAL**

9. TIDAL is a subscription-based global music and entertainment platform, with over 80 million tracks and 350,000 high-quality videos in its ever-growing library. TIDAL offers unique features designed to empower artists and contributors, and bring them closer to

fans. These features include interview series, documentaries, podcasts, and live and livestreamed events.

10. Recent events include:

- An exclusive movie footage screening of “Bad Boys 3” and discussion with Will Smith and Martin Lawrence about their movie-making process at the historic Apollo Theater in New York City.
- An exclusive event celebrating Megan Thee Stallion’s release of her EP, “SUGA.”
- World-wide listening sessions curated by TIDAL, celebrating the exclusive release of Prince Originals.

11. The Company acquired a majority ownership stake in TIDAL in 2021 with the same overarching goal of economic empowerment. Just as Square helped millions of businesses start, run, and grow by providing them with easy-to-use tools, and just as Cash App has made financial services more relatable and accessible to millions of customers who have been historically overlooked and underserved, TIDAL intends to find innovative ways to help artists access systems and tools to support their creative work.

12. To that end, TIDAL is exploring new ways to make music streaming more profitable for artists. For example, beginning this year, TIDAL is introducing direct-artist payouts to its top HiFi plus tier (\$19.99/month), meaning that 10% of a user’s subscription will directly go to the user’s most-listened-to artists.

13. TIDAL is currently exploring the use of emerging blockchain-based technologies, such as bitcoin and non-fungible tokens, as a way to compensate artists.

**TBD54566975**

14. TBD54566975 is Block's newest initiative focused on building a decentralized asset exchange platform (such as bitcoin, fiat currency, or real-world goods) where anyone can trade assets without a central financial institution having custody or control. It is being developed with the same mission of promoting a more accessible and inclusive economy by removing financial intermediaries, which have historically excluded people from the banking and financial systems.
15. The platform will be developed in collaboration with the community, as an open-source and open-development protocol.

\* \* \*

16. Block does not use the Block name as a component of the branding of its customer-facing businesses, Square, Cash App, TIDAL, TBD54566975, and Spiral. Rather, the Block brand is for communications with audiences of the corporation at large, such as current and potential employees and investors.

**Regulatory Requirements and Harm to Block If Forced to Rebrand Again**

17. I have read that Plaintiffs dispute that "an immediate name change would run afoul of state and federal money transmission and virtual currency laws." Reply at 22 (quoting Opp. at 25). I have reviewed their evidence and submit this explanation of why it does not support their conclusion.
18. Block is required to obtain and maintain money transmitter and virtual currency licenses in its name to operate Cash App and parts of Square in a majority of states. A majority of states require Block to maintain a money transmitter license to provide money transfer

services or issue stored value. A virtual currency license is required to provide customer services related to transmitting, buying, selling, storing, or holding virtual currency.

19. All money transmission and virtual currency licenses are held by Block, Inc. and not by any other legal entity in the Block corporate family.
20. The regulatory process for changing money transmitter and virtual currency licenses involves procuring and submitting a dozen or more documents in the 48 states and District of Columbia) where Block is licensed<sup>1</sup>—even in states where advance notice of a name change is not required. Although the specific requirements vary from state to state, the Company is generally required to obtain and submit the following items in addition to submitting a change notice form to each state, generally through the Nationwide Multistate Licensing System and Registry (“NMLS”), an electronic system where state money transmitter licensee can maintain records and submit changes to any records and the forms necessary to support them. These may include:
  - Amended Articles of Incorporation;
  - Amended registration for U.S. Department of Treasury Financial Crimes Enforcement Network (“FinCEN”);
  - Updated customer receipts for money transmission products;
  - Evidence that the new name has been registered with each jurisdiction’s Secretary of State—i.e. a revised/amended certification from each of Secretary of State, which is dependent upon those Secretaries of State having processed the Company’s amended name change certificate and/or certificate of good standing from Delaware, the state of incorporation;
  - Board of Directors’ resolution approving the name change;
  - Financial statements of the Company, such as 10Q, 10K, and interim monthly and quarterly statements;

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<sup>1</sup> Block, Inc. does not hold these licenses in Montana and Wisconsin.

- Amended W-9;
- Amendment to all documentation that is provided to states via NMLS to reflect new name:
  - Organization chart
  - Management Chart
  - Business Plan
  - Trust account authorizations
  - Policies and Procedures
- Letter from the Company stating there has not been a change to the Company Employer Identification Number (EIN);
- Letter from the Company stating that there has been no change to the Company's structure or Officers/Directors;
- Return of original licenses issued to Square, Inc.;
- Amendments to surety bond in each state, which is an agreement for a third-party to pay certain debt obligations of the Company in case of its default.

21. In addition, advance notice is required in at least 20 states for a change in the licensee's legal name, with many requiring prior notice of at least 30 days.
22. The name change process for these regulatory licenses takes a long time. Although Block initiated this process on December 1, 2021, the name change has not been fully effectuated in a majority of states. The change that is currently in the hands of regulators cannot now be "called off" with the press of a button or a phone call. It would require resubmission of all supporting materials under a new name because the Company's legal name has already been changed to Block, Inc.
23. Although not all states have processed the paperwork Block has submitted, that does not mean Block can change its name without notice or forego initiating the paperwork submissions—without running afoul of regulations.

24. If Block were forced to change its name again without notifying state regulators, this would constitute an immediate violation of state regulations and requirements in at least 20 states, and Block would still have to go through the onerous name change process in every state in which it holds money transmission and virtual currency licenses. If Block were compelled to violate advance notification requirements, that would cause the Company reputational and other forms of harm, including strained relationships with state regulators, which could hinder regulators' cooperation with Block in the future.
25. Certain other regulatory licenses do not pose the same name-change challenges. For example, our brokerage service license can and will remain in the name of Cash App Investing LLC. *Cf.* Durone Rebuttal Decl. ¶ 10; *id.* Ex. 47. Similarly, the Company does not assert that an immediate name change would affect the Company's obligations under any prepaid account holder agreements. *Cf. id.* ¶¶ 11–13; *id.* Exs. 48–50.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: February 4, 2022  
San Francisco, CA

DocuSigned by:  
  
A38817A470AD4492  
Chrysty Esperanza